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March 31, 2017

Via E-Mail and Federal Express

Ms. Elizabeth A. Rolando
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62701

Dear Ms. Rolando:

On behalf of Northern Illinois Gas Company d/b/a Nicor Gas Company ("Nicor Gas" or the "Company"), please find enclosed the Company's 2016 Natural Gas Performance Report in compliance with Section 5-111 of the Public Utilities Act, 220 ILCS 5/5-111.

An original and six copies of this submission are enclosed. The original and two copies are enclosed for submission to the Chief Clerk of the Illinois Commerce Commission ("Commission"). Three additional copies of this submission are enclosed for delivery to Messrs. Eric Lounsberry, Bill Riley, and Matthew Smith in the Safety and Reliability Division of the Commission. The final copy of this submission is enclosed for your convenience in acknowledging its receipt and should be returned in the enclosed postage-paid envelope.

Please contact me if you have any questions. Thank you for your assistance.

Sincerely,

Anne W. Mitchell

Anne W. Mitchell
Counsel for Northern Illinois Gas Company
d/b/a Nicor Gas Company

Enclosures
cc: Eric Lounsberry (via e-mail)
Bill Riley (via e-mail)
Matthew Smith (via e-mail)
Michelle Nelson (via e-mail)
Lewis Binswanger (via e-mail)
Patrick Whiteside (via e-mail)

Nicor Gas

2016 Natural Gas Performance Report

In compliance with Section 5-111 of the Public Utilities Act - Natural Gas Performance Reporting

Nicor Gas

Company Background

As the largest natural gas distributor in Illinois, Nicor Gas ensures that clean, safe, reliable and affordable natural gas reaches more than 2.2 million homes and businesses throughout northern Illinois.

In order to deliver this service, Nicor Gas operates more than 34,000 miles of distribution system that is connected to seven interstate pipelines and one intrastate pipeline. We also own and operate one of the largest natural gas aquifer storage systems in North America, with eight natural gas storage fields.

Our team of more than 2,000 employees constructs, operates, maintains and inspects our system to ensure natural gas flows safely and reliably to our customers each day. While much has changed about Nicor Gas over the past 150 years, some very important things have remained the same – including making the safety of our people, our pipeline and the public at the heart of everything that we do.

As a company, we are committed to investing in programs and initiatives that invigorate the economy, enrich the community, enhance diversity, promote education and support environmental stewardship. Nicor Gas is part of the fabric of this region and we are proud to give back to the communities where we live, work and raise our families.

2015 Performance Results/Jobs Attributable and 2016 Performance Goals

1. **The number of emergency calls with response times exceeding both 30 minutes and 60 minutes and the number of emergency calls in which the utility stopped the flow of natural gas on the system or appropriately vented natural gas in a time exceeding both 60 minutes and 90 minutes.**

Emergency Calls – Gas Leak or Odor Response

For the first 11 months of 2016, Nicor Gas experienced lower emergency call volumes of just under 78,000 calls, a 5 percent decrease from 2015. Through the end of November, we responded to 95.7 percent of calls within one hour and achieved an average response time of 29.4 minutes. However, in the month of December, we experienced a 38 percent year-over-year increase with more than 10,000 emergency calls. As a result of this unprecedented increase, the year-end response within 60 minutes dropped to 95.0 percent with an average response time of 30.1 minutes. Although challenged at the end of the year, we continue to make every effort to respond as timely as possible to emergency situations as the safety of the public continues to be a Nicor Gas priority.

Nicor Gas Emergency Response				
Year	**Number of emergency calls**	**Number of calls where response was within 60 mins**	**Response within 60 minutes**	**Average response (in mins)**
2016	88,735	84,334	95.0%	30.09
2015	89,669	84,948	94.7%	30.80
2014	98,347	94,108	95.7%	30.02
2013	91,503	87,833	96.0%	29.46
2012	88,284	84,881	96.2%	29.16
Nicor Gas' goal is to achieve a 60-minute response 95.5 percent of the time or better and an overall response averaging 30 minutes or less. Response time is recorded from the time an odor or leak is reported to the time a company first responder arrives on scene.				

Nicor Gas' 2017 goal is to continue to respond to emergency situations as soon as possible, with a target of 30 minutes or less on average. With our goal to respond to a minimum of 95.5 percent of leaks received within an hour, we continue to position ourselves to accomplish this average response time despite factors that may adversely affect our response including rush-hour and train traffic, a large geographical territory and airborne odor situations where we require a positive response to each call.

Emergency Calls – Excavation Damage

In 2016, we experienced 2,626 excavation damage incidents involving a release of natural gas. Of these incidents, there were 1,827 instances where Nicor Gas stopped the flow of natural gas in a time exceeding 60 minutes and 1,521 instances that exceeded 90 minutes. We measure our response from the time the emergency order is reported until the time natural gas is recorded off.

In 2017, our goal continues to be making excavation damage situations safe as soon as possible and working to improve our performance over the previous year.

The 838 jobs attributed to this performance metric include Nicor Gas employees in Operations, Resource Management and the Contact Center.

2. The number of incidents of damage per thousand gas facility locate requests to the utility's pipeline facilities resulting from utility error and the number of incidents of damage per thousand gas facility locate requests to the utility's pipeline facilities resulting from the fault of third parties.

In 2016, Nicor Gas processed nearly 3 percent more locate requests when compared to 2015. A total of 996,140 natural gas facility locates were processed in 2016, 28,586 more than in 2015. The total number of utility fault damages, where Nicor Gas or its locating contractor were determined to be at fault, was 686, or 0.69 hits per thousand. The total excavation damage incidents where a third-party excavator was determined to be at fault was 1,876, or 1.88 hits per thousand.

Nicor Gas Locating Performance					
Year	Total Number of Locates	Utility Fault Per Thousand	Total Utility Fault Damages	Third-Party Fault Per Thousand	Total Third-Party Fault Damages
2016	996,140	0.69	686	1.88	1,876
2015	967,554	0.73	702	1.80	1,745
2014	850,802	0.60	509	2.20	1,873
2013	726,288	0.50	366	2.60	1,887
Nicor Gas' 2016 goal was a utility fault ratio of 0.50 per thousand or better and third-party fault ratio of 2.60 per thousand or better. Utility fault includes both Nicor Gas and its locating contractor.					

Generally, two main factors can be attributed to the overall reduction in utility fault damages in 2016. First, Nicor Gas contractors increased staffing levels by 16 percent in peak season to prepare for the trending increases in locate ticket volumes that had been experienced between 2013 and 2015. Second, actual ticket volumes came in at a more reasonable rate in 2016 as compared to 2015 – a moderate increase of 3 percent as compared to a 14 percent increase the prior year. For 2017, Nicor Gas has reviewed 2016 volumes and will continually monitor staffing availability for locating operations to prepare for unanticipated spikes in locate volumes.

Third-party excavator damages increased in 2016 to 1.88 hits per thousand, up from 1.80 hits per thousand locates last year. The increase was primarily created by damages caused by excavators who illegally dug over marked Nicor Gas facilities using mechanical means. In 2017, Nicor Gas will continue its engagement with stakeholders, report suspected violators of the Illinois Damage Prevention Act and offer education and excavator outreach seminars to continue to work to improve third-party damage ratios and spread awareness of safe digging practices.

Nicor Gas' 2017 performance target is to remain flat to previous years' targets, with a utility fault ratio of 0.50 per thousand or better and third-party fault ratio of 2.60 per thousand or better.

The 256 jobs attributed to this performance metric include Nicor Gas employees in Asset Protection and Resource Management as well as our locating contractors and support staff to supervise and assist these employees.

3. The number of scheduled cathodic protection readings below -0.850 volts.

In 2016, Nicor Gas conducted 63,842 cathodic protection readings. Of the total read, 3,335 indicated initial readings below -0.850 volts. Verification and troubleshooting reduced this number to 147. Nicor Gas performs annual corrosion reads and down controls are remediated before the next read cycle. In 2016, we remediated 3,188 reads that were below -0.850, including some that were identified in 2015.

Nicor Gas Cathodic Protection Readings				
Year	**Total Keypoints**	**Down Keypoints Initial Read**	**Down Keypoints Last Read**	**Number of Corrected Controls**
2016	63,842	3,335	147	3,188
2015	63,636	4,872	153	4,719
2014	63,598	2,916	499	2,417
2013	64,724	2,126	966	1,160
Beginning in 2015, we included down reads that were found by Meter Reading that were researched and cleared by Corrosion Department personnel. These were not included in 2013 and 2014 reports – we recorded only down reads that were found by our Corrosion Department.				

Our goal is to provide appropriate levels of cathodic protection to our metallic pipes and when down controls are identified we remediate them to restore appropriate levels of protection. In 2017, based on a three-year average of down reads, we anticipate approximately 450 cathodic protection readings below -0.850 volts.

The 24 jobs attributed to this performance metric include Nicor Gas employees in Corrosion Control and Meter Reading (only the portion of time meter readers spend on this particular activity).

4. **The number of service lines that were inactive for over three years and not disconnected from a source of supply.**

   In 2016, Nicor Gas addressed 1,819 inactive services. At year-end there were 463 inactive services greater than three years where there was no customer of record and the service was not disconnected at the main.

   Nicor Gas' 2017 goal is to have 400 or fewer inactive services greater than three years. The ultimate goal is to have no inactive accounts reach three years.

   The 13 jobs attributed to this performance metric include Nicor Gas employees in Field Operations (only the portion of time they spend on this particular activity) and support staff to supervise and assist these employees.

5. **The number of difficult to locate services replaced.**

   In 2016, Nicor Gas replaced 20 natural gas services that were identified as being difficult to locate.

   In 2017, we project that approximately 10 services will be replaced due to being difficult to locate.

   The three jobs attributed to this performance metric include Nicor Gas employees in Asset Protection, Resource Management and Field Operations (only the portion of time Field Operations employees spend on this particular activity).

6. **The number of remotely-readable cathodic protection devices.**

   In 2016, Nicor Gas had 153 remotely-readable cathodic protection devices on our system. Of these, 146 are rectifiers and seven are bonds. Rectifiers and bonds are read bimonthly. Remotely-read devices are installed to increase operating efficiencies by reducing travel times to obtain reads.

   In 2017, our goal is to install 40 new remotely-readable cathodic protection devices bringing our total number of devices to 193.

   The one job attributed to this performance metric includes a Nicor Gas corrosion clerk who checks and records data from the remote devices and a contractor service that maintains the remote devices on a website (only the portion of time they spend on this particular activity).

7. **The miles of main and numbers of services replaced that were constructed of cast iron, wrought iron, ductile iron, unprotected coated steel, unprotected bare steel, mechanically coupled steel, copper, Cellulose Acetate Butyrate (CAB) plastic, pre-1973 DuPont Aldyl "A" polyethylene, PVC, or other types of materials identified by a State or federal governmental agency as being prone to leakage.**

   In 2016, Nicor Gas replaced 72 miles of distribution main and 24,602 natural gas services that were constructed of materials identified by a state or federal governmental agency as being prone to leakage. In accordance with regulations of the Pipeline and Hazardous Materials Safety Administration, Nicor Gas developed and implemented a Distribution Integrity Management Program focused on, among other things, identifying threats, evaluating and ranking risks, and identifying and implementing measures to address risks. We prioritize the removal of mains and services constructed of materials that are prone to leakage according to this program.

   In 2017, Nicor Gas plans to replace approximately 57 miles of distribution main and approximately 26,800 natural gas services constructed of materials identified by a state or federal governmental agency as being prone to leakage.

   The 459 jobs attributed to this performance metric include Nicor Gas employees in Field Operations, contractors and support staff to supervise and assist these employees.

8. **The number of miles of transmission facilities on which maximum allowable operating pressures have been established.**

   At the time of design and installation, Nicor Gas established maximum allowable operating pressures (MAOP) on all of its transmission facilities. At year-end 2016, 811.4 miles or 70 percent of Nicor Gas' 1,157.5 miles of transmission facilities have been validated via records review. This includes records for Class 1 and 2 locations not in a high consequence area (HCA). Records for Class 1 and 2 locations not in a HCA are not required in Part Q of Form PHMSA F 7100.2-1 Annual Report for Calendar Year 2016 Natural or Other Gas Transmission and Gathering Systems.

   Our 2017 goal is to continue to validate MAOP on our transmission facilities and refine existing plans to determine the best method for validating remaining facilities.

   The 40 jobs attributed to this performance metric include Nicor Gas employees in Storage and Transmission Integrity, GIS and Asset Data, Engineering Design and Engineering.

9. The number of miles of transmission facilities equipped with remotely controlled shut-off valve capability.

Nicor Gas began the process of installing remotely controlled shut-off valves (RCV) on its transmission system in 2013, positioning the company with the ability to remotely isolate segments of its transmission pipeline.

The process involves several steps beginning with the installation of RCV hardware at each local valve site. This is followed by the installation of check valves and finally the configuration, testing and incorporation into the company's SCADA system. In 2013, 27 RCV hardware devices were installed at the local valve sites. In 2015, check valves were installed and electrical work was run for the configuration and incorporation into the SCADA system. In 2016, three RCVs were fully commissioned, protecting 16.98 miles of transmission facilities. We also continued the process of installing check valves and running electrical work for the configuration and incorporation into the SCADA system.

In 2017, commissioning of additional RCVs is estimated to protect another 29.6 miles of transmission facilities, which will bring the total to 46.58 miles equipped with RCVs. The locations of these valves were selected by giving priority to high consequence areas (HCA) and Class 3 segments of our system. We will also continue to evaluate our system and further develop a long-term plan for installing additional remotely controlled shut-off valves with a continued focus on HCA and Class 3 segments of the system.

The three jobs attributed to this performance metric include Nicor Gas employees in System Operations and contractor resources to install check valves and run electricity to the valve sites.

10. The value in dollars of contracts in force with minority-owned, female-owned, and qualified service-disabled veteran-owned businesses.

In 2016, the dollar value of contracts in force with minority-owned, women-owned and qualified service-disabled veteran-owned business enterprises (MWVBE) at Nicor Gas totaled more than $146 million. This total, which includes both first-tier and second-tier spend, represents a 21 percent increase over 2015 where MWVBE contracts totaled just over $120 million.

In 2017, our goal is to have approximately $183 million in contracts with minority-owned, women-owned and qualified service-disabled veteran-owned businesses enterprises, which is a 25 percent increase over 2016.

For more information about Nicor Gas' supplier diversity efforts, you may view a copy of *Nicor Gas' 2016 Supplier Diversity Report* on the Illinois Commerce Commission's website under the "Annual Utility Report on Work Performed by Minority, Women, Veteran-Owned and Small Business Enterprise," which will be posted on or about April 15, 2017.

The 17 jobs attributed to this performance metric include Nicor Gas employees in Supplier Diversity as well as employee hours from the following areas (only the portion of time they spend on this particular activity): Strategic Sourcing, Transactional Procurement, Legal, Government Relations, Corporate Communications, Finance, Tax and Risk Management.

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Appendix 1: *2016 Nicor Gas Natural Gas Performance Report*

2016 Nicor Gas Natural Gas Performance Report

Appendix 1

in compliance with Sec. 5-111 of the Public Utilities Act - Natural Gas Performance Reporting

Nicor Gas

	Required Under	(A) **2016** Sec. (b)(c)	(B) **2015** Sec. (c)	(C) Year-Over-Year Change *(A) - (B)*	**2016** Goal	Jobs Attributed Sec. (c)	**2017** Goal Sec. (d)
EMERGENCY CALLS - GAS LEAK OR ODOR RESPONSE							
Number of emergency calls with response times exceeding 30 minutes	(b)(1)	36,143	35,785	358	Maintain or improve over previous year		Maintain or improve over previous year
Number of emergency calls with response times exceeding 60 minutes	(b)(1)	4,401 (4.96%)	4,721 (5.27%)	-0.31%	4.5% or lower		4.5% or lower
EMERGENCY CALLS - EXCAVATION DAMAGE							
Number of emergency calls in which the utility stopped the flow of natural gas on the system or appropriately vented natural gas:							
in a time exceeding 60 minutes	(b)(1)	1,827	1,229	598	Maintain or improve over previous year		Maintain or improve over previous year
in a time exceeding 90 minutes	(b)(1)	1,521	976	545	Maintain or improve over previous year		Maintain or improve over previous year
Total Jobs Attributed to Emergency Calls	Sec. (c)					838	

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LOCATING PERFORMANCE							
Number of incidents of damage per thousand gas facility locate requests to the utility's pipeline facilities resulting from:							
Utility error	(b)(2)	0.69	0.73	(0.04)	0.50		0.50
The fault of third parties	(b)(2)	1.88	1.80	0.08	2.60		2.60
Total Jobs Attributed to Locating Performance	Sec. (c)					256	
OTHER							
Number of scheduled cathodic protection readings below -0.850 volts	(b)(3)	147	153	(6)	500	24	450
Number of service lines that were inactive for over 3 years and not disconnected from a source of supply	(b)(4)	463	962	(499)	500	13	400
Number of difficult to locate services replaced	(b)(5)	20	12	8	10	3	10
Number of remotely-readable cathodic protection devices	(b)(6)	153	149	4	183	1	193

2016 Nicor Gas Natural Gas Performance Report

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Nicor Gas

	Required Under	(A) **2016** Sec. (b)(c)	(B) **2015** Sec. (c)	(C) Year-Over-Year Change *(A) - (B)*	**2016** Goal	Jobs Attributed Sec. (c)	**2017** Goal Sec. (d)
MAIN REPLACED							
Miles of main replaced that were constructed of:							
Cast Iron	(b)(7)	40	78	(38)	48		16
Wrought Iron	(b)(7)	N/A	N/A	N/A	N/A		N/A
Ductile Iron	(b)(7)	N/A	N/A	N/A	N/A		N/A
Unprotected Coated Steel	(b)(7)	N/A	N/A	N/A	N/A		N/A
Protected/Unprotected Bare Steel	(b)(7)	27	21	6	28		36
Mechanically Coupled Steel	(b)(7)	N/A	N/A	N/A	N/A		N/A
Copper	(b)(7)	N/A	N/A	N/A	N/A		N/A
Cellulose Acetate Butyrate (CAB) Plastic	(b)(7)	N/A	N/A	N/A	N/A		N/A
Pre-1973 DuPont Aldyl "A" Polyethylene	(b)(7)	5	0	5	5		5
PVC	(b)(7)	N/A	N/A	N/A	N/A		N/A
Other types of materials identified by a state or federal government agency as being prone to leakage	(b)(7)	N/A	N/A	N/A	N/A		N/A

2016 Nicor Gas Natural Gas Performance Report

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Nicor Gas

	Required Under	(A) **2016** Sec. (b)(c)	(B) **2015** Sec. (c)	(C) Year-Over-Year Change *(A) - (B)*	**2016** Goal	Jobs Attributed Sec. (c)	**2017** Goal Sec. (d)
SERVICES REPLACED							
Numbers of services replaced that were constructed of:							
Cast Iron	(b)(7)	N/A	N/A	N/A	N/A		N/A
Wrought Iron	(b)(7)	N/A	N/A	N/A	N/A		N/A
Ductile Iron	(b)(7)	N/A	N/A	N/A	N/A		N/A
Unprotected Coated Steel	(b)(7)	N/A	N/A	N/A	N/A		N/A
Protected/Unprotected Bare Steel	(b)(7)	14,170	16,966	(2,796)	18,100		15,400
Mechanically Coupled Steel	(b)(7)	N/A	N/A	N/A	N/A		N/A
Copper	(b)(7)	10,032	14,588	(4,556)	12,200		11,000
Cellulose Acetate Butyrate (CAB) Plastic	(b)(7)	N/A	N/A	N/A	N/A		N/A
Pre-1973 DuPont Aldyl "A" Polyethylene	(b)(7)	400	0	400	190		400
PVC	(b)(7)	N/A	N/A	N/A	N/A		N/A
Other types of materials identified by a state or federal government agency as being prone to leakage	(b)(7)	N/A	N/A	N/A	N/A		N/A
Total Jobs Attributed to Miles of Main and Services Replaced	Sec. (c)					459	
TRANSMISSION							
Number of miles of transmission facilities on which maximum allowable operating pressures have been established	(b)(8)	811.40	822.08	(10.68)	Continue to validate MAOP and refine plans	40	Continue to validate MAOP and refine plans
Number of miles of transmission facilities equipped with remotely controlled shut-off valve capability	(b)(9)	16.98	0	16.98	39.44	3	46.58

2016 Nicor Gas Natural Gas Performance Report

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Nicor Gas

	Required Under	(A) **2016** Sec. (b)(c)	(B) **2015** Sec. (c)	(C) Year-Over-Year Change *(A) - (B)*	**2016** Goal	Jobs Attributed Sec. (c)	**2017** Goal Sec. (d)
DIVERSITY OF CONTRACTING							
Value in dollars of contracts in force with:							
Minority Owned businesses	(b)(10)	$78,392,108	$58,872,592	$19,519,516	$66,300,000		$ 89,500,000
Female Owned businesses	(b)(10)	$63,851,949	$53,978,960	$9,872,989	$60,700,000		$ 81,900,000
Qualified Service-Disabled Veteran-Owned businesses	(b)(10)	$3,876,621	$7,549,355	($3,672,734)	$8,300,000		$ 11,300,000
Total Jobs Attributed to Diversity of Contracting	Sec. (c)					17	

STATE OF ILLINOIS)
)
COUNTY OF DUPAGE)

VERIFICATION

I, Patrick E. Whiteside, Vice President, Business Support for Northern Illinois Gas Company d/b/a Nicor Gas Company, being first duly sworn, hereby state that I have read the foregoing natural gas performance report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true, and the said report is a correct statement of the business and affairs of Northern Illinois Gas Company d/b/a Nicor Gas Company in respect to each and every matter set forth therein during the period from and including January 1, 2016, to and including December 31, 2016.

Patrick E. Whiteside

Subscribed and sworn to before me
this 28th day of March, 2017.

Wendy L. Bedal
Notary Public

OFFICIAL SEAL
WENDY L BEDAL
Notary Public - State of Illinois
My Commission Expires Aug 4, 2018